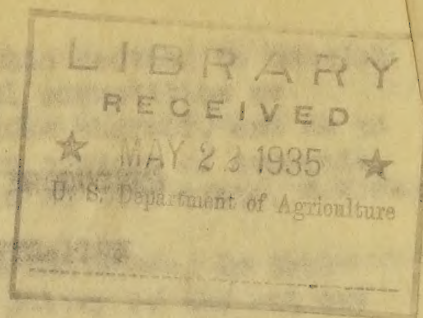


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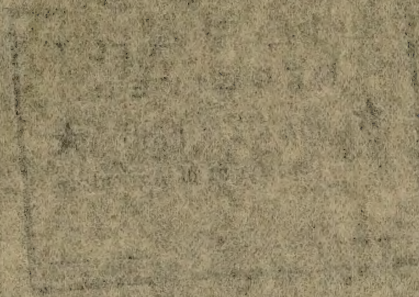


EQUALIZATION ACCOUNTING
 for
 STABILIZATION OF DAIRY PRICES TO PRODUCERS
 under the
 AGRICULTURAL ADJUSTMENT ADMINISTRATION

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NATIONAL ASSOCIATION OF
COST ACCOUNTANTS

By

Harry S. Moyer
Staff Accountant
Systems & Audit Unit
Agricultural Adjustment Administration



UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF PLANT INDUSTRY
WASHINGTON, D. C.

at Office, New York, N. Y., on second class
March 28, 1925, under the Act of March 3,

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BUREAU OF PLANT INDUSTRY
WASHINGTON, D. C.

- 2 -

EQUALIZATION ACCOUNTING
for
STABILIZATION OF DAIRY PRICES TO PRODUCERS
under the part of this title.
AGRICULTURAL ADJUSTMENT ADMINISTRATION

Milk is one of Agriculture's largest and most important commodities. In the United States there is now a national consumption of milk of one pint per day per person. For the past hundred years in this country, there has been one cow for each family, according to government statistics. Economically, dairying is the most stable and permanently profitable type of agriculture. During the years immediately following the World War and up to the world wide depression through the years 1929 to 1932, however, milk and its products, like other agricultural commodities have shown a steady decline in prices to the dairy farmer. As a result, the dairy farmer during the period steadily increased his production to return to him an income to meet his required expenses.

During the early part of 1933 the Agricultural Adjustment Administration was organized by an Act of Congress wherein it was provided in Section 8 of the Act, as follows:

"Sec. 8. In order to effectuate the declared policy, the Secretary of Agriculture shall have power -- * * *

"(3) To issue licenses permitting processors, associations of producers and others to engage in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, or any competing commodity or product thereof. Such licenses shall be subject to such terms and conditions, not in conflict with existing Acts of Congress or regulations pursuant thereto, as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof. * * *

AGRICULTURAL ADJUSTMENT ADMINISTRATION
under the
STABILIZATION OF DAIRY PRICES TO PRODUCE
FOR
EQUALIZATION ACCOUNTING

Milk is one of agriculture's largest and most important commodities. In the United States there is now a national consumption of milk of one pint per day per person. For the past hundred years in this country, there has been one cow for each family, according to government statistics. Economically, dairying is the most stable and permanently profitable type of agriculture. During the years immediately following the World War and up to the world wide depression through the years 1929 to 1933, however, milk and its products, like other agricultural commodities have shown a steady decline in prices to the dairy farmer. As a result, the dairy farmer during the period steadily increased his production to return to him an income to meet his required expenses.

During the early part of 1933 the Agricultural Adjustment Administration was organized by an Act of Congress wherein it was provided in Section 8 of the Act, as follows:

"Sec. 8. In order to effectuate the declared policy, the Secretary of Agriculture shall have power -- * * *

(2) To issue licenses permitting processors, associations of producers and others to engage in the handling, in the export of interstate or foreign commerce, of any agricultural commodity or product thereof, or any competing commodity or product thereof. Such licenses shall be subject to such terms and conditions, not in conflict with existing Acts of Congress or regulations pursuant thereto, as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof. * * *

(4) To require any licensee under this section to furnish such reports as to quantities of agricultural commodities or products thereof bought and sold and the prices thereof, and as to trade practices and charges, and to keep such systems of accounts, as may be necessary for the purpose of part 2 of this title. * * *

The License, as referred to under the Act above, is then promulgated in accordance with the declared policy of the Act and provides as follows: desired conditions. These pool plans are

Whereas, due notice and opportunity for hearing with respect to the issuance of this License and with respect to the terms and provisions thereof have been afforded interested parties; and

Whereas, the undersigned finds that it is necessary to issue this License pursuant to section 8 (3) of said Act and that the terms and provisions hereof are necessary in order to effectuate the purposes of the Act; and

this plan, producers receive a blended price for all milk

Whereas, the undersigned finds that this License and the terms and provisions hereof are in accordance with the provisions of section 8 (3) of the Act and tend to effectuate the purposes of the Act; and

Pool Plan No. 2.

Whereas, the undersigned finds that the marketing, distribution and handling of milk and the products thereof, covered by this License, are in the current of interstate and/or foreign commerce since the portion thereof which occurs within the bounds of a single State affects and actually and potentially competes with the marketing, distribution and handling of commodities and products which occur between or among several States, and since the commodity, and the products thereof, covered by this License cannot be separated into interstate and intrastate portions, the supply and the marketing, distribution and handling thereof being inextricably commingled, so that it is impossible to regulate the interstate marketing, distribution and handling without also regulating the intrastate marketing, distribution and handling, and the failure to regulate the latter will defeat and obstruct the purposes of the Act with respect to the former;

Whereas, the undersigned finds that the said License is in accordance with the provisions of section 8 (3) of the said Act and tends to effectuate the declared policy set forth in section 2 of said Act, in that the terms and conditions thereof

Pool Plan No. 1.

(a) will tend to establish and maintain such balance between the production and consumption of milk and/or products thereof, and such marketing conditions therefor, as will tend to reestablish prices to farmers producing said commodities at a level that will give such commodity and/or products thereof a purchasing power with respect to articles that farmers buy equivalent to the purchasing power of such commodity and/or products thereof in the base period, August 1909-July 1914;

"(4) To require any licensee under this section to furnish such reports as to quantities of agricultural commodities or products thereof bought and sold and the prices thereof, and as to trade practices and charges, and to keep such systems of accounts, as may be necessary for the purpose of part 2 of this title. * * *

The licensee, as referred to under the Act above, is then promulgated in accordance with the declared policy of the Act and provides as follows:

"Whereas, the parties and opportunity for hearing with respect to the issuance of this license and with respect to the terms and provisions thereof have been afforded interested parties; and

"Whereas, the undersigned finds that it is necessary to issue this license pursuant to section 8 (3) of said Act and that the terms and provisions thereof are necessary in order to effectuate the purposes of the Act; and

"Whereas, the undersigned finds that this license and the terms and provisions thereof are in accordance with the provisions of section 8 (3) of the Act and tend to effectuate the purposes of the Act; and

"Whereas, the undersigned finds that the marketing, distribution and handling of milk and the products thereof, covered by this license, are in the current of interstate and/or foreign commerce since the portion thereof which occurs within the bounds of a single State affects and actually and potentially competes with the interstate, distribution and handling of commodities and products which occur between or among several States, and since the commodity, and the products thereof, covered by this license cannot be separated into interstate and intrastate portions, the supply and the marketing, distribution and handling thereof being inextricably commingled, so that it is impossible to regulate the interstate marketing, distribution and handling without also regulating the intrastate marketing, distribution and handling, and the failure to regulate the latter will defeat and obstruct the purposes of the Act with respect to the former;

"Whereas, the undersigned finds that the said license is in accordance with the provisions of section 8 (3) of the said Act and tends to effectuate the declared policy set forth in section 2 of said Act, in that the terms and conditions thereof

"(a) Will tend to establish and maintain such balance between the production and consumption of milk and/or products thereof; and such marketing conditions therefor, as will tend to reestablish prices to farmers producing said commodities at a level that will give each commodity and/or product thereof a purchasing power with respect to articles that farmers pay equivalent to the purchasing power of such commodity and/or products thereof in the base period, August 1907-July 1914;

individual Commercial Pasteurizing Companies, and the holding of a public hearing, offers to the Area involved what is known as a "Pool Plan for Milk Markets". There are four of these pool plans in uniform use. Each plan is applicable to a particular type of Marketing Area and certain desired conditions. These pool plans are enumerated as follows:

Pool Plan No. 1.

This pooling plan is for Milk Markets that receive their entire supply of milk at plants within the Sales Area. Under this plan, producers receive a blended price for all milk delivered by them.

Pool Plan No. 2.

This pooling plan is for Milk Markets that receive their entire supply of milk at plants within the Sales Area. Under this plan, producers are paid on the base-surplus plan for milk delivered by them.

Pool Plan No. 3.

This pool plan is for milk markets that have country stations and freight differentials. Under this plan, producers receive a blended price for all milk, with adjustments based on the distance of the country stations from the market.

Pool Plan No. 4.

This pool plan is for Milk Markets that have country stations and freight differentials. Under this plan, producers are paid on the base-surplus plan for all milk, with adjustments based on the distance of the country stations from the market.

Individual Commercial Pasteurizing Companies, and the holding of a public hearing, offers to the area involved what is known as a "Pool Plan for Milk Markets". There are four of these pool plans in uniform use. Each plan is applicable to a particular type of marketing area and certain desired conditions. These pool plans are

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This pooling plan is for Milk Markets that receive their entire supply of milk at plants within the sales area. Under this plan, producers receive a blended price for all milk delivered by them.

Pool Plan No. 2.

This pooling plan is for Milk Markets that receive their entire supply of milk at plants within the sales area. Under this plan, producers are paid on the base-surplus plan for milk delivered by them.

Pool Plan No. 3.

This pool plan is for milk markets that have country stations and freight differentials. Under this plan, producers receive a blended price for all milk, with adjustments based on the distance of the country stations from the market.

Pool Plan No. 4.

This pool plan is for Milk Markets that have country stations and freight differentials. Under this plan, producers are paid on the base-surplus plan for all milk, with adjustments based on the distance of the country stations from the market.

It will be noted from these pool plans that they are applicable to two types of markets:

1. Where production is in Sales Area (Plans 1 and 2)

2. Where production is outside of Sales Area (Plans 3 and 4)

and that two plans are offered:

1. A straight blended price for all milk (Plans 1 and 3)

2. A blended price for Base Milk and a stated price for Surplus Milk (Plans 2 and 4).

The "Straight Blended Price Pool Plans" give all producers an equal price for all of their milk, in accordance with the sales use price for milk to producers. The determination of this price is also

dependent upon the Pool Plan adopted by the Marketing Area. Illustrations of these Pool Plans by mathematical calculations are as follows:

The "Base and Surplus Pool Plan" gives to all producers an equal price for all of their base milk at a blended price and also a separate and a lower price for all milk they deliver in excess of their base. "Bases" are calculated on the volume of past deliveries by producers, as shown by available records. The base of an individual producer is his proportion of the total fluid milk and cream sales on the market as established by his deliveries during a certain period of the year, determined by the Market Administrator. This pool plan seeks to give each producer an equitable share of the market and to equalize among producers the burden of carrying surplus milk not in demand for direct consumption and therefore low in value.

The License is administered by a Market Administrator, appointed by the Secretary of Agriculture. To pay the expenses of the supervisory services of the Market Administrator, the producers' groups agree to a

It will be noted from these pool plans that they are applicable to two types of markets:

1. Where production is in Sales Area (Plans 1 and 2)
2. Where production is outside of Sales Area (Plans 3 and 4)

and that two plans are offered:

1. A straight blended price for all milk (Plans 1 and 2)
2. A blended price for base milk and a stated price for

surplus milk (Plans 3 and 4).

The "Straight Blended Sales Plan" gives all producers an

equal price for all of their milk, in accordance with the sales use

of the milk in the area.

The "Base and Surplus Sales Plan" gives to all producers an

equal price for all of their base milk at a blended price and also a

separate and a lower price for all milk they deliver in excess of

their base. "Bases" are calculated on the volume of past deliveries

by producers, as shown by available records. The base of an individual

producer is his proportion of the total fluid milk and cream sales in

the market as established by his deliveries during a certain period of

the year, determined by the Market Administrator. This pool plan

seeks to give each producer an equitable share of the market and to

equalize among producers the burden of carrying surplus milk not in

demand for direct consumption and therefore low in value.

The license is administered by a Market Administrator, appointed

by the Secretary of Agriculture. To pay the expenses of the supervisory

services of the Market Administrator, the producers' group agrees to a

maximum deduction of usually two or three cents per hundredweight of milk they handle. It is the duty of the Market Administrator to explain the License and supervise it, but he has no authority to make any changes in its provisions.

In the administration of a License, the Market Administrator, under the provisions contained therein, requests milk Distributors to furnish him certain purchases and sales information from his books and records which will reflect the marketing of all milk in the area. From this information, the Market Administrator determines the current price for milk to producers. The determination of this price is also dependent upon the Pool Plan adopted by the Marketing Area. Illustrations of these Pool Plans by mathematical calculations are as follows:

types of markets: Pool Plan No. I is for markets which receive their entire supply of milk from the area, and which pay producers on a base-surplus plan. Pool Plan No. III is for markets which have country stations and which pay producers a blended price for all milk. Pool Plan No. IV is for markets which have country stations and freight differentials, and which pay producers on a base-surplus plan.

Prepared
by the
Dairy Section
Agricultural Adjustment Administration
Washington, D. C.

maximum number of people for the purpose of the investigation
it will be made. It is the duty of the investigation to
obtain the license and otherwise it, but it is not its duty to
make any change in its jurisdiction.

In the administration of a license, the power of the

state is exercised through the state, through the state
to obtain the license and other information from the state
and through other will be the duty of the state to
from this information, the state shall determine the manner
in which the license is to be issued. The determination of this will be also
to be made from the state plan which is the subject of the license.
Some of these plans are by individual individuals and are as follows:

POOL PLAN NO. I.

FOR MILK MARKETS

BEGIN - PAGE 2

This pooling plan is for milk markets which receive their entire supply of milk at plants within the sales area. Under this plan, producers receive a blended price for all milk delivered by them.

The purpose of this pooling plan is to provide a means by which all producers who sell milk in the market will share alike in the higher price for milk used as whole milk. All producers will also share alike in the lower prices for milk used for cream and for manufacturing purposes. Distributors are treated equitably because all distributors must pay the same price for milk used for similar purposes. The details of this plan are subject to reasonable modification to fit local conditions.

Three other pool plans are available for other types of markets: Pool Plan No. II is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers on a base-surplus plan. Pool Plan No. III is for markets which have country stations and freight differentials, and which pay producers a blended price for all milk. Pool Plan No. IV is for markets which have country stations and freight differentials, and which pay producers on a base-surplus plan.

Prepared
by the
Dairy Section
Agricultural Adjustment Administration
Washington, D. C.

PART I - EXPLANATORY

This Pool Plan is for markets having no country stations or freight differentials. A blended price is paid to producers for all milk. This Pool operates as follows:

- (a) THE AMOUNT OF MONEY WHICH THE DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK IS DETERMINED ACCORDING TO THE USE MADE OF THE MILK. Class I, Class II, and Class III milk represent the uses made of milk by distributors. The total value of the milk in each and all classes for each distributor, and for the entire market, is determined according to the price for the respective class of milk. This does not include purchases by distributors from other distributors. (See Section II).
- (b) The total amount of all milk in hundredweight is determined by adding the amounts of milk delivered by all producers. (See Section II).
- (c) PRODUCERS ARE PAID A BLENDED PRICE FOR ALL MILK, which price is determined by dividing the total value of all milk, as obtained in (a) above, by the total amount of milk as obtained in (b) above. (See Section III).

The Market Administrator maintains adjustment accounts for all distributors:

- (a) EACH DISTRIBUTOR IS DEBITED WITH THE AMOUNT OF MONEY WHICH HE IS OBLIGATED TO PAY FOR MILK as determined in (a) above. (See Sections II and IV); and,
- (b) EACH DISTRIBUTOR IS CREDITED WITH THE AMOUNT OF MONEY WHICH HE PAYS TO PRODUCERS FOR MILK at the blended price as obtained in (c) above. (See Sections III and IV); and,
- (c) BALANCES ON ADJUSTMENT ACCOUNTS ARE SETTLED WITH THE MARKET ADMINISTRATOR. (See Sections IV and V).

PART II - ILLUSTRATIVE

The following figures are intended to show how this market pool operates and are not suggestive of proper prices or differentials for any particular market.

I. BASIC PRELIMINARY INFORMATION

A - All plants are located in the sales area.

B - Prices Charged Distributors:

Class I - - - - \$2.00 per Cwt.
Class II - - - - 1.50 per Cwt.
Class III - - - - 1.00 per Cwt.

C - Sales Use:

<u>Plant</u>	<u>Class I</u>	<u>Class III</u>	<u>Class III</u>	<u>Total Milk</u>
	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>	<u>Delivered</u>
A	500	200	300	1,000
B	700	100	200	1,000
C	300	300	400	1,000
Total	1,500	600	900	3,000
Per Cent	50%	20%	30%	100%

D - One blended price for all milk. (No base-surplus plan)

II. AMOUNT DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK:

<u>Plant</u>	<u>Class of Milk</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Distributors</u>	<u>Amount Obligated to Pay</u>
Plant A:	I	500	\$ 2.00	\$1,000.00
	II	200	1.50	300.00
	III	300	1.00	300.00
	Sub-total	1,000		<u>1,600.00</u>
Plant B:	I	700	\$ 2.00	\$1,400.00
	II	100	1.50	150.00
	III	200	1.00	200.00
	Sub-total	1,000		<u>1,750.00</u>
Plant C:	I	300	\$ 2.00	\$ 600.00
	II	300	1.50	450.00
	III	400	1.00	400.00
	Sub-total	1,000		<u>1,450.00</u>
<u>Entire Market:</u>				
	I	1,500	\$ 2.00	\$3,000.00
	II	600	1.50	900.00
	III	900	1.00	900.00
				<u>4,800.00</u>
<u>Total</u>		<u>3,000*</u>	\$ 1.60**	<u>\$4,800.00</u>

*Total milk delivered by producers.

**\$4,800.00 ÷ 3,000 (cwt.) = \$1.60 Blended price to Producers for all milk.

III. DETERMINATION OF BLENDED PRICE AND PAYMENT TO PRODUCERS:

<u>Plant</u>	<u>Amount Distributors are obligated to pay</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Producers</u>	<u>Payment to Producers</u>
A	\$ 1,600.00	1,000	\$ 1.60	\$ 1,600.00
B	1,750.00	1,000	1.60	1,600.00
C	1,450.00	1,000	1.60	1,600.00
<u>Total</u>	\$ 4,800.00	3,000	\$ 1.60	\$ 4,800.00

$\$4,800 \div 3,000 \text{ (cwt.)} = \1.60 Blended price to Producers for all milk.

IV. ADJUSTMENT ACCOUNTS OF DISTRIBUTORS:

<u>PLANT A</u>		<u>PLANT B</u>		<u>PLANT C</u>	
<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
\$1,600.00:	\$1,600.00	\$1,750.00:	\$1,600.00	\$1,450.00:	\$1,600.00
:		:	150.00	150.00:	
:		:		:	
\$1,600.00:	\$1,600.00	\$1,750.00:	\$1,750.00	\$1,600.00:	\$1,600.00

Each distributor is debited with the amount he is obligated to pay for milk. He is credited with the amount he pays producers at the blended price. The difference is paid to or by the Market administrator.

V. PAYMENTS TO AND BY THE MARKET ADMINISTRATOR:

<u>MARKET ADMINISTRATOR</u>	
<u>Debit</u>	<u>Credit</u>
From B \$150.00:	To C \$150.00
:	
:	
\$150.00:	\$150.00

POOL PLAN NO. II.

FOR MILK MARKETS

Begin - Page 2

This pooling plan is for milk markets which receive their entire supply of milk at plants within the sales area. Under this plan, producers are paid on the base-surplus plan for milk delivered by them.

The purpose of this pooling plan is to provide a means by which all producers who sell milk in the market will share alike in the higher price for milk used as whole milk. All producers will also share alike in the lower prices for milk used for cream and for manufacturing purposes. Producers are paid for their milk as base and surplus in order to encourage uniform production throughout the year. Distributors are treated equitably because all distributors must pay the same price for milk used for similar purposes. The details of this plan are subject to reasonable modification to fit local conditions.

Three other pool plans are available for other types of markets: Pool Plan No. I is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers a blended price for all milk delivered by them. Pool Plan No. III is for markets which have country stations and freight differentials, and which pay producers a blended price for all milk. Pool Plan No. IV is for markets which have country stations and freight differentials, and which pay producers on a base-surplus plan.

Prepared
by the
Dairy Section
Agricultural Adjustment Administration
Washington, D. C.

PART I - EXPLANATORY

This Pool Plan is for markets which have no country stations or freight differentials, but which pay producers on a base-surplus plan. Each producer is paid a blended price for his delivered base but is paid only the manufactured or Class III price for all additional deliveries of milk. The Pool operates as follows:

- (a) THE AMOUNT OF MONEY WHICH THE DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK IS DETERMINED ACCORDING TO THE USE MADE OF THE MILK. Class I, Class II, and Class III represent the uses made of milk by the distributor. The total value of the milk in each and all classes for each distributor, and for the entire market, is determined according to the price for the respective class of milk. This does not include purchases by distributors from other distributors. (See Section II).
- (b) The total delivered bases in hundredweight is determined for the market by adding such amounts of milk as are delivered by producers not in excess of their respective bases. (See Section I, sub-division D).
- (c) PRODUCERS ARE PAID THE MANUFACTURED OR CLASS III PRICE FOR SURPLUS MILK. The amounts to be paid for such milk are totaled for each distributor and for the entire market. (See Section III). (Surplus milk is milk in excess of delivered bases).
- (d) The amount of money to be paid producers for surplus milk as determined in (c) above, is subtracted from the total amount of money which distributors are obligated to pay for milk as determined in (a) above. This resulting figure represents the money available for payment to producers for their delivered bases. (See Section IV).
- (e) PRODUCERS ARE PAID A BLENDED PRICE FOR DELIVERED BASES, which price is obtained by dividing the amount of money available for delivered bases as computed in (d) above, by the amount of milk represented by the delivered bases as computed in (b) above. (See Section V).

The Market Administrator maintains adjustment accounts with all distributors:

- (a) EACH DISTRIBUTOR IS DEBITED WITH THE AMOUNT OF MONEY WHICH HE IS OBLIGATED TO PAY FOR MILK as determined in (a) above. (See Sections II and VI); and,

- (b) EACH DISTRIBUTOR IS CREDITED WITH THE AMOUNT OF MONEY WHICH HE PAYS TO PRODUCERS for delivered bases according to the blended price as determined in (e) above, and for the amount of money which he pays to producers for surplus milk as determined in (c) above. (See Sections III, V, and VI), and
- (c) BALANCES ON ADJUSTMENT ACCOUNTS ARE SETTLED WITH THE MARKET ADMINISTRATOR. (See Sections VI and VII).

PART II - ILLUSTRATIVE

The following figures are intended to show how this market pool operates and are not suggestive of proper prices or differentials for any particular market.

I. BASIC PRELIMINARY INFORMATION:

A - All plants are located in the sales area.

B - Prices Charged Distributors:

Class I - - - \$2.00 per Cwt.
 Class II - - - \$1.50 per Cwt.
 Class III - - - \$1.00 per Cwt.

C - Sales Use:

<u>Plant</u>	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total Milk Delivered</u>
	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>
A	500	200	300	1,000
B	700	100	200	1,000
C	300	300	400	1,000
<u>Total</u>	1,500	600	900	3,000
<u>Per Cent</u>	50%	20%	30%	100%

D - Established and Delivered Bases of Producers supplying the market:

<u>Plant</u>	<u>Total Established Bases</u>	<u>Total Delivered Bases</u>	<u>Total Milk Delivered</u>	<u>Excess over Delivered Bases</u>
	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>
A	800	700	1,000	300
B	900	800	1,000	200
C	700	500	1,000	500
<u>Total</u>	2,400	2,000	3,000	1,000

It should be noted that delivered bases at each plant are shown to be less than the established bases, yet each plant has a substantial proportion of surplus milk (excess over delivered bases). This is a usual situation in base-surplus markets, because some farmers do not deliver as much milk as their base allotments while other farmers deliver in excess of these amounts. Care should be exercised in reporting the amount of milk represented by delivered bases and the amount of milk represented as surplus milk so that this point will not be overlooked.

II. AMOUNT DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK:

<u>Plant</u>	<u>Class of Milk</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Distributors</u>	<u>Amount Obligated to Pay</u>
Plant A:	I	500	\$ 2.00	\$1,000.00
	II	200	1.50	300.00
	III	300	1.00	300.00
	Sub-totals	1,000		\$1,600.00
Plant B:	I	700	\$ 2.00	\$1,400.00
	II	100	1.50	150.00
	III	200	1.00	200.00
	Sub-totals	1,000		\$1,750.00
Plant C:	I	300	\$ 2.00	\$ 600.00
	II	300	1.50	450.00
	III	400	1.00	400.00
	Sub-totals	1,000		\$1,450.00
<u>Entire Market:</u>				
	I	1,500	\$ 2.00	\$3,000.00
	II	600	1.50	900.00
	III	900	1.00	900.00
<u>Total</u>		<u>3,000*</u>		<u>\$4,800.00</u>

*Total milk delivered by producers.

III. PAYMENTS TO PRODUCERS FOR SURPLUS MILK:

<u>Plant</u>	<u>Surplus Milk* Cwt.</u>	<u>Price to Producers**</u>	<u>Payment to Producers</u>
A	300	\$ 1.00	\$ 300.00
B	200	1.00	200.00
C	500	1.00	500.00
<u>Total</u>	1,000	\$ 1.00	\$ 1,000.00

*Excess over delivered bases. See Section I, subsection D.

**Price of manufactured or Class III milk.

IV. AMOUNT AVAILABLE FOR PAYMENT OF DELIVERED BASES:

<u>Plant</u>	<u>Amount Distributors are obligated to pay</u>	<u>Payment for excess over Delivered bases *</u>	<u>Amount Available for Delivered bases</u>
A	\$ 1,600.00	\$ 300.00	\$ 1,300.00
B	1,750.00	200.00	1,550.00
C	1,450.00	500.00	950.00
<u>Total</u>	\$ 4,800.00	\$1,000.00	\$ 3,800.00**

*See Section III.

**\$3,800.00 ÷ 2,000 (cwt.) = \$1.90 Blended price to producers for delivered bases.

V. PAYMENTS TO PRODUCERS FOR DELIVERED BASES:

<u>Plant</u>	<u>Delivered Bases* Cwt.</u>	<u>Blended Price to Producers</u>	<u>Payments to Producers</u>
A	700	\$ 1.90	\$ 1,330.00
B	800	1.90	1,520.00
C	500	1.90	950.00
<u>Total</u>	2,000	\$ 1.90	\$ 3,800.00

\$3,800.00 ÷ 2,000 (cwt.) = \$1.90 Blended price to producers for delivered bases.

*See Section I, subsection D.

VI. ADJUSTMENT ACCOUNTS OF DISTRIBUTORS:

<u>PLANT A</u>		<u>PLANT P</u>		<u>PLANT C</u>	
Debit	Credit	Debit	Credit	Debit	Credit
\$1,600.00	\$ 300.00	\$1,750.00	\$ 200.00	\$1,450.00	\$ 500.00
	1,330.00		1,520.00		950.00
30.00			30.00		
\$1,630.00	\$1,630.00	\$1,750.00	\$1,750.00	\$1,450.00	\$1,450.00

Each distributor is debited with the amount he is obligated to pay for milk. He is credited with the amount he pays producers for surplus milk, and he is credited with the amount he pays producers for delivered bases. The balance is paid to or by the Market Administrator.

VII. PAYMENTS TO AND BY THE MARKET ADMINISTRATOR:

MARKET ADMINISTRATOR

<u>Debit</u>		<u>Credit</u>	
To A	\$30.00	From B	\$30.00
	\$30.00		\$30.00

POOL PLAN NO. III.

FOR MILK MARKETS

BEGIN - PAGE 2

This pool plan is for milk markets which have country stations and freight differentials. Under this plan, producers receive a blended price for all milk, with adjustments based on the distance of the country stations from the market.

The purpose of this pooling plan is to provide a means by which all producers who sell milk in the market will share alike in the higher price for milk used as whole milk. All producers will also share alike in the lower prices for milk used for cream and for manufacturing purposes. Distributors are treated equitably because all distributors must pay the same price for milk purchased at similar locations and used for similar purposes. The details of this plan are subject to reasonable modification to fit local conditions.

Three other pool plans are available for other types of markets: Pool Plan No. I is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers a blended price for all milk delivered by them. Pool Plan No. II is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers on a base-surplus plan. Pool Plan No. IV is for markets which have country stations and freight differentials, and which pay producers on a base-surplus plan.

Prepared
by the
Dairy Section
Agricultural Adjustment Administration
Washington, D.C.

PART-I-EXPLANATORY

This Pool Plan is for markets having country stations and freight differentials. A blended price is paid producers for all milk delivered. Distributors' zone differentials are intended to reflect the added cost of operating country stations and transporting the milk to the sales area in the form in which it is finally used. Producers' zone differentials are intended to reflect the cost of transporting whole milk to the sales area, thereby giving producers near the market the full advantage of their location. The Pool operates as follows:

- (a) THE AMOUNT OF MONEY WHICH DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK IS DETERMINED ACCORDING TO THE USE MADE OF THE MILK, and according to the zone or plant location at which the milk is purchased. Class I, Class II, and Class III milk represent the uses made of the milk by distributors. The total value of the milk in each and all classes for each distributor, and for the entire market, is determined according to the price for the respective class of milk at the plant at which the milk is delivered. This does not include purchases by distributors from other distributors. (See Section II).
- (b) The total amount of milk in hundredweight is determined by adding the amounts of milk delivered by producers. (See Section II).
- (c) The amount of money available with which to pay producers for all milk as determined in (a) above, is adjusted to reflect the value of such milk within the sales area by adding the producers' zone differentials on all milk delivered to country plants. (See Section III).
- (d) PRODUCERS ARE PAID A BLENDED PRICE FOR ALL MILK, which price is determined by dividing the total value of all milk as determined in (a) above, by the total amount of milk as determined in (b) above. This price is for all milk delivered to the plants in the sales area. Prices in other zones reflect the producers' zone adjustments made in (c) above. (See Section IV).

The Market Administrator maintains adjustment accounts with all distributors:

- (a) EACH DISTRIBUTOR IS DEBITED WITH THE AMOUNT OF MONEY WHICH HE IS OBLIGATED TO PAY FOR MILK as determined in (a) above. (See Sections II and V); and,
- (b) EACH DISTRIBUTOR IS CREDITED WITH THE AMOUNT OF MONEY WHICH HE PAYS PRODUCERS FOR MILK at the blended price obtained in (d) above. (See Sections IV and V); and,
- (c) BALANCES ON ADJUSTMENT ACCOUNTS ARE SETTLED WITH THE MARKET ADMINISTRATOR. (See Sections V and VI),

PART II - ILLUSTRATIVE

The following figures are intended to show how this pool operates and are not suggestive of proper prices or differentials for any particular market.

I. BASIC PRELIMINARY INFORMATION:

A. Zones and Price Adjustments;

<u>Plant</u>	<u>Distance from Sales Area</u>	<u>Adjustments in cost of milk to Distributors*</u>	<u>Zone Differentials in paying Producers **</u>
A	f.e.b. sales area	None	None
B	50-mile zone	(Class 1 - 25¢ (Class 2 - 10¢ (Class 3 - 0	25¢ on all milk
C	150-mile zone	(Class 1 - 50¢ (Class 2 - 15¢ (Class 3 - 0	50¢ on all milk

* Allowances are made for freight and country plant expense according to the use made of the milk. Class I milk is used as whole milk, Class II as cream, and can be separated at the country station. Class III milk is for manufacturing purposes.

**These producers' differentials apply to all milk in order to give the producer near the market the full advantage of his location. These adjustments in paying producers do not in any manner affect the amount which the distributors are obligated to pay for their milk.

B. Prices charged Distributors f.o.b. Sales Areas:

Class I - - - \$2.00
Class II - - - \$1.50
Class III - - - \$1.00

C. Sales Use:

<u>Plant</u>	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total Milk Delivered</u>
	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>
A	500	200	300	1,000
B	700	100	200	1,000
C	300	300	400	1,000
<u>Total</u>	1,500	600	900	3,000
<u>Per Cent</u>	50%	20%	30%	100%

D. One Blended price for all milk. (No base-surplus plan)

II. AMOUNT DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK:

<u>Plant</u>	<u>Class of Milk</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Distributors*</u>	<u>Amount Obligated to Pay</u>
Plant A:				
(f.o.b. sales area)	I	500	\$ 2.00	\$1,000.00
	II	200	1.50	300.00
	III	300	1.00	300.00
Sub-total		<u>1,000</u>		<u>\$1,600.00</u>
Plant B:				
(50-mile zone)	I	700	\$ 1.75	\$1,225.00
	II	100	1.40	140.00
	III	200	1.00	200.00
Sub-total		<u>1,000</u>		<u>\$1,565.00</u>
Plant C:				
(150-mile zone)	I	300	\$ 1.50	\$ 450.00
	II	300	1.35	405.00
	III	400	1.00	400.00
Sub-total		<u>1,000</u>		<u>\$1,255.00</u>
<u>Entire Market:</u>				
	I	1,500		\$2,675.00
	II	600		845.00
	III	900		900.00
<u>Total</u>		<u><u>3,000</u></u>		<u><u>\$4,420.00</u></u>

*The prices at plants B and C reflect the adjustments in cost of milk to distributors at these points according to the use of the milk. See Section I, subsection A.

III. ADJUSTING FOR PRODUCERS' DIFFERENTIALS TO F.O.B. SALES AREA:

<u>Plant</u>	<u>Amount Distributors obligated to pay</u>	<u>Producer Zone Adjustment*</u>	<u>Adjustment F.O.B. Sales Area</u>	<u>Blended Price to Producer at Each point</u>
A: f.o.b. Sales Area	\$ 1,600.00	None	\$ 1,600.00	\$ 1.72-1/3
B: 50 mile zone	1,565.00	\$250.00 (1000 x .25) cwt. x rate	1,815.00	1.47-1/3
C: 150 mile zone	1,255.00	\$500.00 (1000 x .50) cwt. x rate	\$1,755.00	1.22 1/3
<u>Total</u>	<u>\$4,420.00</u>		<u>\$5,170.00</u>	

\$5,170.00 ÷ 3,000 (cwt) = \$1.72-1/3 blended price to producers for all milk f.o.b. sales area. In practice the money represented by the one-third cent per hundredweight would be carried as a balance by the Market Administrator to the next pool period.

*These adjustments apply to all milk and are added for the purpose of determining the blended price f.o.b. sales area. These same differentials are then subtracted from the blended price f.o.b. sales area to obtain the blended price to producers in each zone as shown in the last column.

IV.

PAYMENTS TO PRODUCERS:

<u>Plant</u>	<u>Amount of Milk</u>	<u>Price to Producers</u>	<u>Payments to Producers</u>
A - F.O.B. Sales Area	1,000	\$1.72-1/3	\$1,723.33-1/3
B - 50-mile zone	1,000	\$1.47-1/3	1,473.33-1/3
C - 150-mile zone	1,000	\$1.22-1/3	<u>1,223.33-1/3</u>
			\$ 4,420.00

The differences in the prices to producers at the various plants are according to the producers' zone differentials provided for in the last column of Section I, subsection A. See also Section III.

V/ ADJUSTMENT ACCOUNTS OF DISTRIBUTORS:

<u>PLANT A</u>		<u>PLANT B</u>	
<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
\$1,600.00	\$1,723.33-1/3	\$1,565.00	\$1,473.33 1/3
123.33-1/3			91.66-2/3
<u>\$1,723.33-1/3</u>	<u>\$1,723.33-1/3</u>	<u>\$1,565.00</u>	<u>\$1,565.00</u>
<u>PLANT C</u>			
<u>Debit</u>	<u>Credit</u>		
\$1,255.00	\$1,233.33-1/3		
	31.66-2/3		
<u>\$1,255.00</u>	<u>\$1,255.00</u>		

Each distributor is debited with the amount he is obligated to pay for milk. He is credited with the amount which he pays producers at the blended price. The balance is paid to or by the Market Administrator.

VI. PAYMENTS TO AND BY THE MARKET ADMINISTRATOR:

<u>MARKET ADMINISTRATOR</u>	
<u>Debit</u>	<u>Credit</u>
From B \$91.66-2/3	To A \$123.33-1/3
From C 31.66-2/3	
<u>\$123.33-1/3</u>	<u>\$123.33-1/3</u>

POOL PLAN NO. IV

FOR MILK MARKETS

11-12-32 Page 2

This pooling plan is for milk markets which have country stations and freight differentials. Under this plan, producers are paid on the base-surplus plan for all milk, with adjustments based on the distance of the country stations from the market.

The purpose of this pooling plan is to provide a means by which all producers who sell milk in the market will share alike in the higher price for milk used as whole milk. All producers will also share alike in the lower prices for milk used for cream and for manufacturing purposes. Distributors are treated equitably because all distributors must pay the same price for milk purchased at similar locations and used for similar purposes. The details of this plan are subject to reasonable modification to fit local conditions.

Three other pool plans are available for other types of markets: Pool Plan No. I is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers a blended price for all milk delivered by them. Pool Plan No. II is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers on a base-surplus plan. Pool Plan No. III is for markets which have country stations and freight differentials, and which pay producers a blended price for all milk.

Prepared
by the
Dairy Section
Agricultural Adjustment Administration
Washington, D. C.

PART-I--EXPLANATORY

This Pool Plan is for markets which have country stations and freight differentials, and which pay producers on a base-surplus plan. Each producer is paid a blended price for his delivered base, but is paid only the manufactured or Class III price for all additional deliveries of milk. Distributors' zone differentials are intended to reflect the added cost of operating country stations and transporting the milk to the sales area in the form in which it is finally used. Producers' zone differentials are intended to reflect the cost of transporting whole milk to the sales area, thereby giving producers near the market the full advantage of their location. The Pool operates as follows:

- (a) THE AMOUNT OF MONEY WHICH DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK IS DETERMINED ACCORDING TO THE USE MADE OF THE MILK, and according to the zone or plant location at which the milk is purchased. Class I, Class II, and Class III represent the uses made of milk by distributors. The total value of the milk in each and all classes for each distributor, and for the entire market, is determined according to the price for the respective class of milk at the plant at which the milk is delivered. This does not include purchases by distributors from other distributors. (See Section II).
- (b) The total delivered bases in hundredweight is determined for the market by adding such amounts of milk as are delivered by producers not in excess of their respective bases. (See Section I, subsection D).
- (c) PRODUCERS ARE PAID THE MANUFACTURED OR CLASS III PRICE FOR SURPLUS MILK. The amounts paid for such milk are totaled for each distributor and for the entire market. (See Section III). (Surplus milk is milk in excess of delivered bases).
- (d) The amount of money paid producers for surplus milk as determined in (c) above, is subtracted from the total amount of money which distributors are obligated to pay for milk as determined in (a) above. This resulting figure represents the money available for payment to producers for their delivered bases. (See Section IV)
- (e) The amount of money available with which to pay producers for their delivered bases as determined in (d) above, is adjusted to reflect the value of such milk within the sales area by adding the producers' zone differentials on all delivered bases at country plants. (See Section V).

- (f) PRODUCERS ARE PAID A BLENDED PRICE FOR DELIVERED BASES, which price is obtained by dividing the amount of money available for delivered bases as computed in (e) above, by the amount of milk represented by the delivered bases as computed in (b) above. This price is for all delivered bases at plants in the sales area. Prices for delivered bases in other zones will reflect the producers' zone adjustments made in (e) above.

The Market Administrator maintains adjustment accounts for all distributors:

- (a) EACH DISTRIBUTOR IS DEBITED WITH THE AMOUNT OF MONEY WHICH HE IS OBLIGATED TO PAY FOR MILK as determined in (a) above. (See Section II and VII); and
- (b) EACH DISTRIBUTOR IS CREDITED WITH THE AMOUNT OF MONEY WHICH HE PAYS PRODUCERS for delivered bases according to the blended price with adjustments as determined in (f) above, and for the amount of money which he pays to producers for surplus milk as determined in (c) above. (See Sections III, VI, and VII); and
- (c) BALANCES ON ADJUSTMENT ACCOUNTS ARE SETTLED WITH THE MARKET ADMINISTRATOR. (See Sections VII and VIII).

PART-II--ILLUSTRATIVE

The following figures are intended to show how this Pool operates and are not suggestive of proper prices or differentials for any particular market.

I. BASIC PRELIMINARY INFORMATION:

A - Zones and Price Adjustments:

<u>Plant</u>	<u>Distance from Sales Area</u>	<u>Adjustments in cost of milk to Distributors</u>	<u>Zone Differentials in paying Producers**</u>
A	F.O.B. sales area	None	None
B	50-mile zone	(Class 1 - 25¢ (Class 2 - 10¢ (Class 3 - 0	25¢ on Delivered Base Only
C	150-mile zone	(Class 1 - 50¢ (Class 2 - 15¢ (Class 3 - 0	50¢ on Delivered Base Only

*Allowances are made for freight and country plant expense according to the use made of the milk. See Plan III.

**These zone differentials are made on all delivered bases in order to give the producer near the market the full advantage of his location. These adjustments do not in any manner affect the amount which the distributors are obligated to pay for their milk.

B - Prices charged Distributors, F.O.B. Sales Area:

Class I - - -	\$3.00
Class II - - -	\$1.50
Class III - - -	\$1.00

C - Sales Use:

<u>Plant</u>	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total Milk Delivered</u>
	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>
A	500	200	300	1,000
B	700	100	200	1,000
C	300	300	400	1,000
<u>Total</u>	1,500	600	900	3,000
<u>Per Cent</u>	50%	20%	30%	100%

D - Established and Delivered Bases of Producers supplying the Market:

<u>Plant</u>	<u>Total Established Bases Cwt.</u>	<u>Total Delivered Bases Cwt.</u>	<u>Total Milk Delivered Cwt.</u>	<u>Excesses over Established Bases Cwt.</u>
A	800	700	1,000	300
B	900	800	1,000	200
C	700	500	1,000	500
<u>Total</u>	2,400	2,000	3,000	1,000

It should be noted that delivered bases at each plant are shown to be less than the established bases, yet each plant has a substantial proportion of surplus milk (excess over delivered bases). This is a usual situation in base-surplus markets, because some farmers do not deliver as much milk as their base allotments while other farmers deliver in excess of these amounts. Care should be exercised in reporting the amount of milk represented by delivered bases and the amount of milk represented as surplus milk so that this point will not be overlooked.

II. AMOUNT DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK:

<u>Plant</u>	<u>Class of Milk</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Distributors*</u>	<u>Amount Obligated to Pay</u>
Plant A:				
(f.o.b.	I	500	\$ 2.00	\$1,000.00
sales area)	II	200	1.50	300.00
	III	300	1.00	300.00
Sub-total		1,000		\$1,600.00
Plant B:				
(50-mile	I	700	\$ 1.75	\$1,225.00
zone)	II	100	1.40	140.00
	III	200	1.00	200.00
Sub-total		1,000		\$1,565.00
Plant C:				
(150 mile	I	300	\$ 1.50	\$ 450.00
zone	II	300	1.35	405.00
	III	400	1.00	400.00
		1,000		\$1,255.00

<u>Plant</u>	<u>Class of Milk</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Distributors*</u>	<u>Amount Obligated to Pay</u>
<u>Entire Market:</u>				
	I	1,500		\$2,875.00
	II	600		845.00
	III	900		900.00
				<hr/>
<u>Total</u>		<u>3,000</u>		<u>\$4,420.00</u>

"The prices at plants B and C reflect the adjustments in cost of milk to distributors at these points according to the use made of the milk.
See Section I, subsection A.

III. PAYMENTS TO PRODUCERS FOR SURPLUS MILK:

<u>Plant</u>	<u>Surplus Milk Cwt.*</u>	<u>Price**</u>	<u>Total Payments for Surplus Milk</u>
A	300	\$ 1.00	\$ 300.00
B	200	1.00	200.00
C	500	1.00	500.00
			<hr/>
	1,000	\$ 1.00	\$ 1,000.00

*Excess over Delivered bases. See Section I, subsection D.
**Price of Manufactured on Class III milk.

IV. AMOUNTS AVAILABLE FOR PAYMENTS OF DELIVERED BASES:

<u>Plant</u>	<u>Amount Distributors are obligated to pay</u>	<u>Payment for milk delivered over Bases</u>	<u>Amount obligated to pay producers for Delivered Bases</u>
A	\$ 1,600.00	\$ 300.00	\$ 1,300.00
B	1,565.00	200.00	1,365.00
C	1,255.00	500.00	755.00
			<hr/>
	\$ 4,420.00	\$1,000.00	\$ 3,420.00

V. ADJUSTING FOR PRODUCERS' ZONE DIFFERENTIALS TO F. O. B. SALES AREA:

<u>Plant & Location</u>	<u>Amount Distributors obligated to pay on Delivered Bases</u>	<u>Producers' Zone Adjustments*</u>	<u>Adjusted F.O.B. Sales Area</u>	<u>Price to Producer F.O.B. Delivered Bases</u>
A: Plant in sales area	\$ 1,300.00	None	\$ 1,300.00	\$ 1.93 1/2
B: 50-mile plant	1,365.00	\$ 200.00 (800 x .25) cwt. x rate	1,565.00	1.68 1/2
C: 150-mile zone	755.00	250.00 (500 x .50)	1,005.00	1.43 1/2
	<hr/>	<hr/>	<hr/>	
	\$ 3,420.00	\$ 450.00	\$ 3,870.00	

\$3,870.00 ÷ 2,000 (cwt.) = \$1.93 1/2 blended price to producers for delivered bases f.o.b. sales area. In practice the money represented by a fraction cent per hundredweight would be carried as a balance by the Market Administrator to the next pool period.

*These adjustments apply to all milk included in delivered bases and are added for the purpose of determining the blended price for such milk f.o.b. sales area. These same differentials are then subtracted from the blended price for delivered bases f.o.b. sales area to obtain the blended price to the producers in each zone as shown in the last column.

VI. PAYMENTS TO PRODUCERS FOR DELIVERED BASES:

<u>Plant & Location</u>	<u>Delivered Bases.cwt.</u>	<u>Price.</u>	<u>Payment to Producers for Delivered Bases</u>
A - Plant in sales area	700	\$1.93 1/2	\$ 1,354.50
B - 50-mile plant	800	1.68 1/2	1,348.00
C - 150 mile plant	<hr/> 500	1.43 1/2	<hr/> 717.50
<u>Total</u>	2,000		\$ 3,420.00

The differences in prices to producers at the various plants are according to the producers' zone differentials provided for in the last column of Section I, subsection A. See also Section V.

VII. ADJUSTMENT ACCOUNTS:

<u>PLANT A</u>		<u>PLANT B</u>		<u>PLANT C</u>	
Debit	Credit	Debit	Credit	Debit	Credit
\$1,600.00:	\$ 300.00	\$1,565.00:	\$ 200.00	\$1,255.00:	\$ 500.00
54.50:	1,345.50	:	1,348.00	:	717.50
:		:	17.00	:	37.50
\$1,654.50:	\$1,654.50	\$1,565.00:	\$1,565.00	\$1,255.00:	\$1,255.00

Each distributor is debited with the amount he is obligated to pay for milk. He is credited with the amount he pays producers for surplus milk and he is credited with the amount he pays producers for delivered bases. The balance is paid to or by the Market Administrator.

VIII. PAYMENTS TO AND BY THE MARKET ADMINISTRATOR:

MARKET ADMINISTRATOR

Debit	Credit
From B \$17.00:	To A \$54.50
From C 37.50:	To C -
\$54.50:	\$54.50

It is readily seen from the foregoing calculations that in the average Milk Marketing Area where there are 40 to 50 distributors and 4,000 to 6,000 producers, the Market Administrator has a considerable task in administering the provisions of a Milk License. In addition to handling the control of Milk Sales and Milk Purchased and the equalization of prices to producers for such milk used, sold or distributed in the Marketing Area, the Market Administrator may also provide producers,

1- who are not members of a Producers Association in the Area, technical
1-1 services such as checking weights, testing milk, credit protection, etc.
1-1 For these services, known as "Marketing Service" a small charge of a few
1- cents per hundredweight of milk is made.
1

An idea of the Milk Market Administrators' operations may be obtained from the following Chart of Accounts and Classification of Accounts, which are part of a Uniform System of Accounts of Milk Market Administrators as prepared by the System and Audit Unit of the Agricultural Adjustment Administration.

1-61
1-65
1-66
1-67
1-68
1-69
1-70
1-71
1-72
1-73
1-74
1-75
1-76
1-77
1-78

Interest
Legal
Losses
Milk Inventory
Office Supplies
Postage
Rent
Salaries
Sundry Bank
Taxes
Telephone and Telegrams
Traveling Expenses

2-01 Equalization
2-02 Contingent Reserve
2-03 Distributor's Surplus
2-30 Accounts Payable
2-31 Distributor's Surplus
2-40 Adjustments Accrued
2-41 Reserve for Default

It is readily seen from the foregoing explanation that in the

average milk marketing area there are 25 to 30 dairymen and

1,000 to 2,000 producers, the latter maintaining a membership

fee in maintaining the maintenance of a Milk License. In addition

to handling the control of Milk Sales and Milk Production and the

issue of orders to producers for milk used, sold or otherwise in

the marketing area, the Board of Directors may also provide producers

with the services of a technical association in the area, technical

advice and as checking matters, including milk, credit protection, etc.

For these services, known as Marketing Service, a small amount of a fee

may be charged to the producers of milk in the area.

In view of the Milk Marketing Administration's operations may be

obtained from the following chart of accounts and classification of

accounts, which are part of a Milk Marketing System of accounts of Milk Marketing

Administration as presented by the system and Milk Marketing System.

trial Adjustment Administration

MILK MARKET ADMINISTRATOR'S

CHART OF ACCOUNTS

Account
Number

Account

ADMINISTRATOR'S OPERATIONS

1-01	Administrator's Regular Fund
1-02	Administrator's Special Fund
1-10	Accounts Receivable - Regular Assessment
1-11	Accounts Receivable - Special Assessment
1-20	Office Furniture and Equipment
1-21	Supplies Inventory - Stationery and Printing
1-30	Vouchers Payable
1-31	Notes Payable
1-40	Market Administrator's Operating Balance
1-50	Income - Regular Assessments
1-51	Income - Special Assessments
1-60	Auditing Service
1-61	Auto Expense
1-62	Advertising & Publicity
1-63	Contributions
1-64	Dues and Subscriptions
1-65	General Expenses
1-66	Insurance
1-67	Interest
1-68	Legal
1-69	Light
1-70	Milk Industry Board Allotment
1-71	Office Supplies and Stationery
1-72	Postage
1-73	Rent
1-74	Salaries
1-75	Surety Bond
1-76	Taxes
1-77	Telephone and Telegraph
1-78	Traveling Expenses

EQUALIZATION ADJUSTMENT ACCOUNTS

2-01	Equalization Adjustment Fund
2-02	Contingent Reserve Fund
2-03	Distributor's Surety Fund (1) Contra
2-10	Accounts Receivable - Distributor's Adjustments
2-30	Accounts Payable - Distributor's Adjustments
2-31	Distributor's Surety Accounts (1) Contra
2-40	Adjustments Accrued
2-41	Reserve for Default of Equalization Payments

STATEMENT OF WORK

SCOPE OF WORK

The purpose of this statement of work is to define the scope of work for the project. The project is to develop a new software application that will allow users to manage their personal finances. The application will be developed using the Java programming language and the JSP web technology. The application will be hosted on a web server and will be accessible to users via a web browser. The application will be developed in a modular fashion, with each module being developed and tested independently. The modules will be integrated together at the end of the project. The project will be completed within a six-month time frame.

The project will be managed using the following methodology:

PROJECT MANAGEMENT

The project will be managed using the following methodology:

- 1. Project Planning: The project manager will define the project goals, objectives, and deliverables. The project manager will also identify the resources required for the project and develop a project schedule.
- 2. Project Execution: The project manager will oversee the execution of the project, ensuring that the project is completed on time and within budget.
- 3. Project Monitoring: The project manager will monitor the progress of the project, identifying any issues or risks that may arise.
- 4. Project Closure: The project manager will close the project, ensuring that all project goals and objectives have been met.

Account
Number

Account

MARKETING SERVICE ACCOUNTS

3-01	Marketing Service Fund	
3-10	Accounts Receivable - Non-Association Members	
3-11	Accounts Receivable - Association Members	(2) Contra
3-30	Vouchers Payable	
3-31	Due Associations	(2) Contra
3-40	Marketing Service Operating Balance	
3-50	Income - Marketing Service Assessments	
3-60	Advertising & Educational	
3-61	Auto Expense	
3-62	Credit Protection	
3-63	General Expenses	
3-64	Hauling	
3-65	Insurance	
3-66	Light	
3-67	Marketing Information	
3-68	Office Supplies and Stationery	
3-69	Postage	
3-70	Rent	
3-71	Salaries	
3-72	Telephone & Telegraph	
3-73	Testing and Weighing	
3-74	Traveling Expense	

SYMBOLS

1-	Prefix - Administrator's Operations
2-	Prefix - Equalization Adjustments
3-	Prefix - Marketing Service
01-09	Suffix - Cash Funds
10-19	Suffix - Accounts Receivable
20-29	Suffix - Fixed Assets and Inventories
30-39	Suffix - Accounts Payable
40-49	Suffix - Net Operating Balances and Adjustments
50-59	Suffix - Income Accounts
60-80	Suffix - Expense Accounts



The following table shows the results of the experiment. The first column is the number of trials, the second column is the number of correct responses, and the third column is the percentage of correct responses.

Trials	Correct Responses	Percentage
1	10	100%
2	9	90%
3	8	80%
4	7	70%
5	6	60%
6	5	50%
7	4	40%
8	3	30%
9	2	20%
10	1	10%

The results show a clear downward trend in the number of correct responses as the number of trials increases. This suggests that the subjects are becoming more confident or skilled as they practice the task.

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The results show a clear downward trend in the number of correct responses as the number of trials increases. This suggests that the subjects are becoming more confident or skilled as they practice the task.

MILK MARKET ADMINISTRATOR'S

CLASSIFICATION OF ACCOUNTS

ADMINISTRATOR'S OPERATIONS:

1-01 Administrator's Regular Fund

This account will represent the depository fund of the Milk Market Administrator, to be used for all deposits and disbursements arising from administrative operations.

1-02 Administrator's Special Fund

This account will represent the depository fund of any special assessments arising out of the Market Administrator's operations to be accounted for and used separately from the normal administrative operations for special purposes.

1-10 Accounts Receivable - Regular Assessment

This account will represent charges to distributors for the regular assessment made to them for the purpose of accumulating operating capital in accordance with the provisions of the License.

1-11 Accounts Receivable - Special Assessment

This account will represent charges to distributors on any special assessments that may be necessary for the Market Administrator to make as might be authorized in the provisions of the License.

1-20 Office Furniture and Equipment

This account will represent the actual cost of furniture and equipment purchased for use by the Milk Market Administrator.

1-21 Supplies Inventory - Stationery and Printing

This account will represent the inventory at the end of any accounting period of stationery and printing supplies, whenever such supplies contain a value worthy of consideration as an inventory.

1-30 Vouchers Payable

This account will represent outstanding vouchers or invoices unpaid at the end of any accounting period for purchases applicable to the Market Administrator's operations.



1-31 Notes Payable

This account will represent the amount of any Notes Payable by the Milk Market Administrator outstanding at the end of any accounting period, the liability of which has resulted from administrative operations.

1-40 Market Administrator's Operating Balance

This account will represent the operating balance of surplus arising from the administrative operations of the Market Administrator.

1-50 Income - Regular Assessments

This account represents the income arising from regular assessments of the Market Administrator for his operations charged to distributors in accordance with the provisions of the License.

1-51 Income - Special Assessments

This account represents income arising from Special Assessments made by the Market Administrator to distributors on any occasion authorized under the provisions of the License.

1-60 Auditing Service

This account represents any expenditures by the Milk Market Administrator for auditing service as may be required from outside Auditors.

1-61 Auto Expense

This account represents any expenditures for the use of automobiles that are properly chargeable to the Administrative Operating Fund.

1-62 Advertising and Publicity

This account represents the expenditure for any advertising and publicity properly chargeable to the Administrator's Operating Fund.

1-63 Contributions

This account is self-explanatory and represents any contributions made by the Market Administrator out of the Operating Fund.

1-64 Dues and Subscriptions

This account will represent any expenditure for dues and subscriptions out of the Administrator's Operating Fund as separate from any allotment to the Milk Industry Board or for Marketing Service.

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1-65 General Expenses

This account will represent any unallocated expenditures not properly chargeable to other classified expenses under the administrator's operations.

1-66 Insurance

This account will represent all expenditures for insurance chargeable to the Administrator's Operating Fund.

1-67 Interest

This account will represent all interest expenses properly chargeable to the Market Administrator's Operating Fund.

1-68 Legal

This account will represent all legal expenses incurred by the Milk Market Administrator arising out of the operations of his office.

1-69 Light

This account will represent the expenditure for any electricity properly chargeable to the Market Administrator's operations.

1-70 Milk Industry Board Allotment

This account will represent any allotment provided by the License payable to any Milk Industry Board or Council, in accordance with the authority for the establishment of such agency under the License.

1-71 Office Supplies and Stationery

This account will represent the monthly charges properly applicable to the Administrator's operations for stationery and supplies used.

1-72 Postage

This account will represent the expenditure for any postage chargeable to the Administrator's Operating Fund.

1-73 Rent

This account will represent any expenditures for rent of offices chargeable to the Administrator's Operating Fund.

1-74 Salaries

This account will represent the expenditures and accruals of all salaries properly chargeable to the Market Administrator's Operating Fund.

1-75 Surety Bond

This account will represent the cost of surety bonds for the Milk Market Administrator or other employees of his office as may be authorized and chargeable to the Market Administrator's fund.

1-76 Taxes

This account will represent the expenditure for any taxes assessed and payable against the operations of the Milk Market Administrator.

1-77 Telephone and Telegraph

This account will represent any charges to the Administrator's Operations for any telephone or telegraph services.

1-78 Traveling Expenses

This account will represent any expenditures chargeable to the Milk Market Administrator's office incurred as separate from Auto Expense, as classified separately.

EQUALIZATION ADJUSTMENT ACCOUNTS:

2-01 Equalization Adjustment Fund

This account will represent the depository fund for all deposits from distributors and payments to distributors for equalization adjustments for milk purchased from producers with the sales use of milk under the provisions of the License.

2-02 Contingent Reserve Fund

This account will represent the depository fund as may be provided by the License for any contingency that may arise out of the default of any distributor to make payment to the Market Administrator for equalization adjustments.

2-03 Distributor's Surety Fund

This account will represent the depository fund of any sums advanced by any distributor to guarantee surety of the payment for his milk to producers (see contra-liability Account 2-31).

2-10 Accounts Receivable - Distributor's Adjustments

This account will represent the charges to distributors for any amount due by the distributor to the Market Administrator for equalization adjustment between the purchases and sales use of milk.

2-30 Accounts Payable - Distributor's Adjustments

This account will represent amounts payable to distributors arising out of adjustment of his equalization account from purchases and sales use of milk.

2-31 Distributor's Surety Accounts

This account will represent the liability of the Market Administrator for the deposit of any distributor representing surety of his payment for any milk purchased from producers.

2-40 Adjustments Accrued

This account will represent any adjustments arising out of the computation of a blended price of milk whereas fractions exist and can not be allocated in the payment but are accrued to the succeeding period.

2-41 Reserve for Default of Equalization Payments

This account will represent the reserve set aside (See Account No. 2-02 Contingent Reserve Fund) for any default of a distributor in making equalization payments provided by the License.

MARKETING SERVICE ACCOUNTS:

3-01 Marketing Service Fund

This account will represent the depository fund for payments made by distributors for marketing service as provided by the License.

3-10 Accounts Receivable - Non-Association Members

This account will represent the amounts due for assessment to distributors deductible from prices paid producers for milk purchased, such assessments to be used to provide marketing service to non-member association producers.

3-11 Accounts Receivable - Association Members

This account will represent the amounts assessed distributors as deducted from association producer members for marketing service, provided by a producers association. Such payment, in turn, being made to the producers association (See Account No. 3-31 Due Associations).

3-30 Vouchers Payable

This account will represent unpaid invoices for service rendered and expenses chargeable to the Marketing Service furnished by the Market Administrator.

3-31 Due Associations

This account will represent collections made by the Market Administrator from distributors for marketing service provided producers or members of a producers association.

3-40 Marketing Service Operating Balance

This account will represent the operating balance or surplus arising out of the operations of the Marketing Service provisions of the License.

3-50 Income - Marketing Service Assessments

This account will represent assessments to producers as deducted by distributors for Marketing Service which will be rendered by the Market Administrator's office to producers.

3-60 Advertising and Educational

This account will represent expenditures for advertising and additional services for the promotion and marketing of producers milk, who are not members of a producers association.

3-61 Auto Expense

This account will represent auto expenses chargeable to the Marketing Service performed by the Market Administrator's Office.

3-62 Credit Protection

This account will represent any expenditure necessary for the protection of distributor's credit in so far as payment to producers, who are not members of any producers association, is concerned.

3-63 General Expenses

This account will represent the payment of any expenditures not properly assignable to other expense accounts under the Marketing Service Classifications.

3-64 Hauling

This account will represent the expenditure for any hauling necessary to perform testing and service to non-producer association members of the Milk Market.

3-65 Insurance

This account will represent the expenditure for any insurance chargeable to the Marketing Service Operations of the Market Administrator.

3-66 Light

This account will represent the expenditure for any electricity which is chargeable to the Marketing Service Operations of the Market Administrator.

3-67 Marketing Information

This account will represent the expenses of providing any marketing information to non-association producers.

3-68 Office Supplies and Stationery

This account will represent the charges for any office supplies and stationery applicable to Marketing Service Operations of the Market Administrator.

3-69 Postage

This account will represent any postage expenses chargeable to the Marketing Service Operations.

3-70 Rent

This account will represent any expenditure for rent of office space chargeable to the Marketing Service Operations.

3-71 Salaries

This account will represent the expenses or accruals for any salaries chargeable to the Marketing Service Operations.

3-72 Telephone and Telegraph

This account will represent the expense of any telephone and telegraph charges applicable to the Marketing Service performed by the Market Administrator.

3-73 Testing and Weighing

This account will represent any testing and weighing expenses other than salaries (as provided in Account 3-71) performed by the Market Administrator as a marketing service to non-association producer members.

3-74 Traveling Expenses

This account will represent any travel expenses incurred by employees furnishing marketing service to non-association producer members as separate from Auto Expense (provided in Account 3-61).

